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Seventh progress report on the adoption of the International Public Sector Accounting Standards by the United Nations

Report of the Secretary-General

Summary

The implementation of the International Public Sector Accounting Standards (IPSAS) at the United Nations commenced as planned with the launch of IPSAS-compliant accounting in peacekeeping operations on 1 July 2013; currently, the Organization is in the process of preparing its first IPSAS-compliant financial statements for peacekeeping operations, due by 30 September 2014. For the other operations of the United Nations, IPSAS-compliant accounting commenced on 1 January 2014 and progress is on track for the presentation of IPSAS-compliant financial statements by 31 March 2015. The present report details how risks are being proactively managed to ensure that these targets are met, and the work under way to support IPSAS sustainability and benefits realization.

In 2006, the General Assembly, by its resolution 60/283, approved the adoption of IPSAS for presenting the financial statements of the United Nations. Commencing in 2008, the Secretary-General submitted annual progress reports (A/62/806, A/64/355, A/65/308, A/66/379, A/67/344 and A/68/351) on IPSAS adoption to the General Assembly; the present report reviews the progress of IPSAS implementation at the United Nations and throughout the United Nations system during the period from 1 September 2013 to 31 August 2014.

During the period 2008-2012, 21 of the 24 organizations within the United Nations system successfully migrated to IPSAS. All 21 organizations have also produced IPSAS-compliant financial statements for 2013, attesting to the capability of the United Nations system organizations to sustain compliance with the standards. Implementation is on schedule for the remaining three organizations.

The General Assembly is requested to take note of the present report.

* A/69/150.

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I. Introduction

1. In 2005, the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination recommended the adoption of the International Public Sector Accounting Standards (IPSAS) to improve the quality, comparability and credibility of financial reporting across the United Nations system.

2. In 2006, the High-level Committee on Management established a jointly funded system-wide project to support a harmonized approach to IPSAS implementation across United Nations system organizations and to achieve economies in addressing common implementation issues. Under this approach, each organization is responsible for its IPSAS implementation and is facilitated and guided by a system-wide IPSAS project team.

3. By the end of 2007, the system-wide project team had developed a portfolio of IPSAS-compliant policies and guidelines to facilitate the harmonization of IPSAS-compliant financial reporting across the United Nations system, and during the period 2008-2012, 21 of the 24 organizations within the United Nations system successfully adopted IPSAS. The remaining three organizations, the United Nations, the Food and Agriculture Organization of the United Nations (FAO) and the World Tourism Organization (UNWTO), are all in the process of achieving IPSAS compliance for the 2014 financial year.

4. At the United Nations, the General Assembly, by its resolution 60/283, approved the adoption of IPSAS for the United Nations in 2006; also approved were the resources to launch the Organization's IPSAS implementation project and the move to a next-generation enterprise resource planning system to provide the backbone for the implementation of IPSAS.

5. In 2013, the United Nations commenced IPSAS-compliant accounting in peacekeeping operations; the IPSAS implementation project is on target for delivering the first IPSAS-compliant financial statements by 30 September 2014 for peacekeeping operations. IPSAS-compliant accounting has also commenced for the other operations of the United Nations, and IPSAS-compliant financial statements will be delivered by 31 March 2015.

6. The present report reviews the progress of both the United Nations and the system-wide projects for the period from 1 September 2013 to 31 August 2014. Progress at the United Nations is described in section II, followed by system-wide progress in section III and actions to be taken by the General Assembly in section IV.

II. Implementation of the International Public Sector Accounting Standards at the United Nations

A. Overview

7. The reporting period witnessed the achievement of key IPSAS project milestones, in particular for peacekeeping operations; these included the finalization of IPSAS opening balances, and their review by the Board of Auditors, as well as the preparation of IPSAS dry run financial statements as at 31 December 2013. For the other operations of the United Nations, opening balances, as at 1 January 2014, were submitted by offices and are currently being vetted and consolidated; further,

the process of preparing dry run financial statements as at 30 June 2014 was launched.

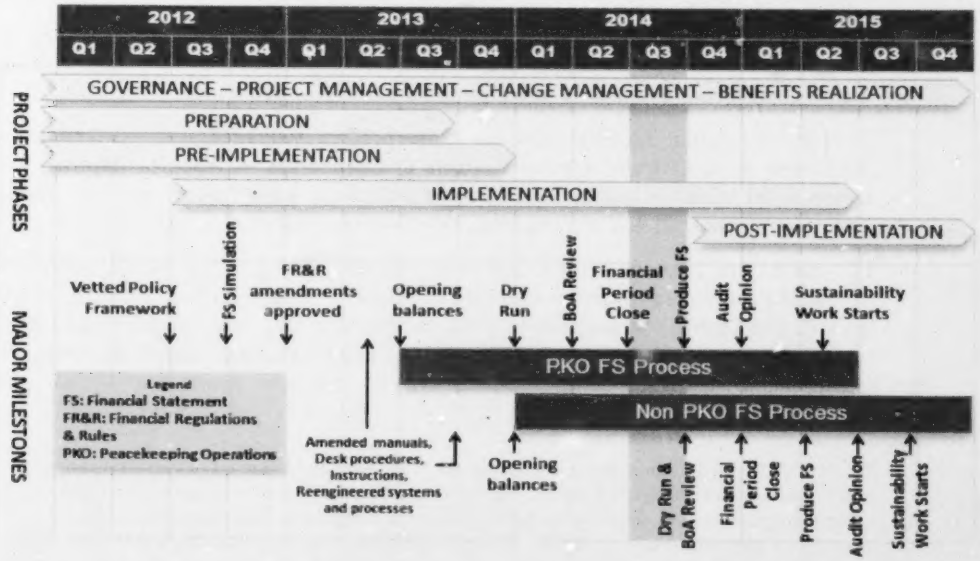
8. The implementation activities at the core of these milestones were led by local IPSAS teams at offices away from Headquarters, regional commissions, field and special political missions and other offices, guided and monitored at the corporate level by the United Nations IPSAS team, the Department of Field Support IPSAS team and the IPSAS project management office at Headquarters.

9. The seamless adoption of IPSAS is heavily dependent on the availability of Umoja, the new enterprise resource planning system. Recognizing this, the General Assembly, in its resolution 68/247 A, reaffirmed that Umoja would serve as the backbone for the implementation of IPSAS.

10. Umoja Foundation has been implemented in all peacekeeping and special political missions; however, asset accounting functionality has not yet been deployed in missions, and the peacekeeping accounts at Headquarters have not been fully migrated to Umoja. As a transitional measure, two legacy systems, the Integrated Management Information System (IMIS) and Galileo, have been enhanced to support the IPSAS reporting requirements. For peacekeeping operations, the preparation of the dry run financial statements as at 31 December 2013 provided the opportunity to test the transitional arrangements, which led to the achievement of another key project milestone: the validation of the transitional systems architecture and processes for the preparation of the first IPSAS-compliant financial statements for peacekeeping operations.

11. Figure I shows the high-level schematic of the major activities for each quarter to the end of 2015, for peacekeeping and non-peacekeeping operations.

Figure I
Project phases and major milestones



12. Another significant achievement during the reporting period was the agreement with the Board of Auditors on the definition and treatment of inventories in peacekeeping operations, including the methodology for estimating the value of non-financial inventory that will be presented in the IPSAS-compliant financial statements. The Board now agrees that the policy framework, including arrangements to value peacekeeping inventory, is complete and appropriate (see A/69/155, para. 11).

13. The General Assembly, in its resolution 68/247, urged increased collaboration between the IPSAS and Umoja teams. During the reporting period, the Umoja and IPSAS projects continued to work closely to align plans, coordinate joint activities and leverage synergies wherever feasible to maximize progress for both projects. This effort was demonstrated by the IPSAS and Umoja project management offices aligning their respective risk logs and collaborating on sharing tools and methodologies. In addition, joint IPSAS/Umoja workshops on IPSAS opening balances were held in October 2013 at the United Nations Office at Geneva and in November 2013 at United Nations Headquarters, and the IPSAS Financial Statement Preparation Workshop for Peacekeeping Operations was held in May 2014 in Entebbe, Uganda.

B. Governance

14. The IPSAS Steering Committee,[1] which was reconstituted in 2013 to comprise predominantly the Assistant Secretaries-General of several business areas of the Organization, continued strong oversight of the project during the reporting period, focused on managing key risks and issues, along with monitoring the deployment of Umoja and the enhancement of legacy systems connected to the transitional arrangements for IPSAS-compliant reporting. The Steering Committee also provided direction on the outstanding policy matters, ensuring that efforts to resolve these policy issues were closely coordinated with the Board of Auditors.

15. The project assurance role continued to provide an independent assessment of the project's health, by validating information reported about the project and issuing reviews and recommendations to facilitate its successful delivery.

16. All the initial recommendations from project assurance were satisfactorily implemented, specifically putting controls and processes in place to improve the accuracy of monthly reporting. Recommendations were based on site visits, discussions with staff and the examination of working documents and reports.

17. Both the Management Committee and the Independent Audit Advisory Committee continued to review and closely monitor the project, including the work towards IPSAS benefits realization; both committees supported the process to gain agreement from the Board of Auditors on the definition and treatment of inventory for financial reporting under IPSAS. In its annual report (A/69/304), the

[1] The IPSAS Steering Committee is chaired by the Controller and made up of the: Assistant Secretaries-General for Field Support, Economic and Social Affairs, Humanitarian Affairs, Information and Communications Technology, Central Support Services and Umoja, the directors of administration for the United Nations Offices at Geneva, Nairobi and Vienna, and the chiefs of administrative services for the Economic and Social Commission for Western Asia and the Economic Commission for Latin America and the Caribbean.

Independent Audit Advisory Committee welcomed the progress made in implementing IPSAS and committed to the review of the IPSAS benefits realization plan at its upcoming session in December 2014.

18. IPSAS-specific objectives continued to be included in the senior managers' compacts to support ownership of the IPSAS implementation activities at the office/mission level. For 2014, senior managers' compliance with the IPSAS implementation plan will be measured in peacekeeping entities by the level of compliance with the instructions for the first IPSAS-compliant financial statements and in non-peacekeeping entities by the reliability of data provided for opening balances and the dry run financial statements.

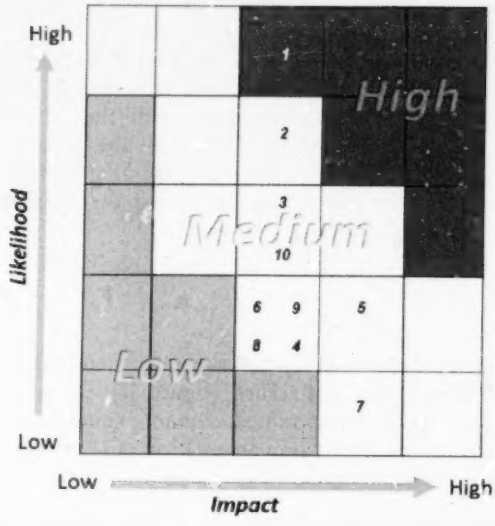
C. Risk management

19. The IPSAS Steering Committee, aided by the project management office, continued to review the heat map of key risks and issues (figure II), to ensure suitable and timely risk mitigation whenever warranted. Senior management continues to focus on challenges related to the timely implementation of IPSAS and risks associated with the delayed deployment of Umoja.

20. The risks that have developed into issues during the course of IPSAS implementation are: (a) the Umoja deployment timetable does not align with the IPSAS reporting timetable; (b) delayed Umoja implementation; and (c) clearing bank reconciliation, payroll and accounts payable open items in Umoja. The first two issues surfaced in previous periods, and mitigation measures have already been put in place with the deployment of transitional arrangements, including enhancements to IMIS and Galileo and the use of IMIS to produce the first sets of IPSAS financial statements. The third, which developed after the sixth progress report was issued, has been addressed by realignment of resources at field missions as well as the deployment of expert staff from Headquarters to select field missions to address the backlog of transactions in Umoja; in addition, technical enhancements have been made in Umoja and hands-on training in Umoja has been intensified in the field missions. Progress is monitored closely, and significant reductions of backlog have already been achieved.

21. During the reporting period, one key risk was added to the heat map of key risks and issues, as the Board of Auditors highlighted the risks associated with the use of multiple systems to record transactional data. To mitigate the key risks in the heat map, mitigation plans have been developed, which include closer monitoring of milestones and providing detailed guidance and instructions on systems and process changes; the launch of a project targeting increased quality of human resources data in peacekeeping missions; and the strengthening of controls to ensure the integrity of data flows between multiple transactional systems through the use of data reconciliations and control totals. Further, more frequent engagement of the Board is now in place to ensure the timely resolution of any IPSAS policy issue and its application.

Figure II
Heat map of key risks and issues



Issues
1. Umoja deployment timetable does not align with reporting framework timetable
2. Delayed Umoja implementation
3. Clearing bank, payroll and payable reconciliations

Risks
1. Delayed Umoja implementation
** Dual risk/issue due to ongoing deployment*
4. Low quality of human resources data in peacekeeping for opening balances
5. Qualified audit opinion of financial statements
6. Processes not in place for recording, maintaining and updating property, plant and equipment records for continued IPSAS-compliant recording after "go live"
7. Transitional measures: system and process changes not ready on time
8. Lack of accuracy and/or compliance in monthly reporting could result in unrealistic project status
9. Opening balances are not accurate and auditable
10. Transitional measures: multiplicity of legacy systems and necessary coordination with Umoja

Project management

22. Overall, project planning and management have been based on the implementation deadline of 2014 set by the General Assembly, then divided into phases based on project management methodology, with plans of work for each of the 10 financial reporting entities[2] of the United Nations IPSAS implementation project, with more detailed plans for individual offices of reporting entities.

23. Work at this most detailed level is tracked by means of a project management tool, to gauge progress against planned start and finish dates as well as to review and customize local risks and issues. The tool also provides a means for implementers to formulate detailed questions and receive feedback, to confirm the understanding of work to be done, and to permit the central monitoring of progress. During the reporting period, new and updated activities were added and deployed to support milestones and deliverables listed in figure I.

24. As of August 2014, the project management tool had been deployed in 78 locations, including 30 departments and offices at Headquarters, to track work on IPSAS opening balances.[3] Monthly updates on the progress of work, risks, requests

[2] The 10 entities are: Vol. I — United Nations; Vol. II — Peacekeeping; International Trade Centre (ITC); United Nations Environment Programme (UNEP); United Nations Human Settlements Programme (UN-Habitat); United Nations Office on Drugs and Crime (UNODC); International Tribunal for the Former Yugoslavia/International Criminal Tribunal for Rwanda/International Residual Mechanism for Criminal Tribunals; United Nations Compensation Commission; United Nations Institute for Training and Research; and United Nations University.

[3] As was recommended by the Office of Internal Oversight Services in its report on the audit of the management of the project to implement International Public Sector Accounting Standards at the United Nations Secretariat, that activities for Headquarters be incorporated into reporting and that the Office of Programme Planning, Budget and Accounts show that the project management tool had been implemented to monitor activities related to: systems upgrades; property, plant, and equipment; and inventory.

and comments are provided to the Steering Committee and are available to project implementers. The tool has been enhanced as the implementation has progressed to help in collecting more valuable and accurate information and to better support review.

25. Based on lessons learned, the project management tool has been supplemented in peacekeeping by written assessments by the Director of Mission Support/Chief of Mission Support, of major project areas, progress and risk for their missions. This information has been used by project assurance, local IPSAS teams and the Department of Field Support field monitoring team to gauge the status of work at a given entity.

26. The Department of Field Support field monitoring team, located in the Regional Service Centre in Entebbe, continued to serve as first responders to IPSAS implementation issues in field missions, and provided regular reports to the Department of Field Support IPSAS team on the status of local implementation activities.

Transitional arrangements

27. Transitional arrangements, which will support the preparation of IPSAS financial statements until Umoja is fully deployed, include enhancements, from both a technical and a change management perspective, to key legacy systems, mainly IMIS and Galileo. These arrangements have been planned and deployed in such a manner as to reduce manual errors and provide robust audit trails.

28. In the first year, IPSAS-compliant financial statements for both peacekeeping and non-peacekeeping operations will be produced from IMIS using the IPSAS parallel ledger as the "book of record", by interfacing Umoja to IMIS and by implementing a number of manual or semi-automated processes, the results of which will be captured for recording in the IPSAS parallel ledger. Owing to the delay in the replacement of IMIS at United Nations Headquarters by Umoja, the strategy has been modified to also include the production of the second year of IPSAS-compliant financial statements from IMIS. The consolidation and reporting processes will be gradually switched to Umoja as its deployment stabilizes and it becomes available in more locations.

29. The changes to IMIS and Galileo as well as the related transitional interfaces from Umoja have been completed to support peacekeeping operations and were validated during the preparation of the dry run financial statements. The IPSAS parallel ledger created in IMIS is currently being used as the "book of record" for the preparation of the first IPSAS-compliant financial statements for peacekeeping operations as well as the dry run financial statements for non-peacekeeping operations.

Regulatory framework

30. The regulatory framework for IPSAS is the structured set of documents that organizes and categorizes the Organization's controls that will support IPSAS-compliant financial accounting and reporting. The documents consist of regulations, rules, policies, practices, procedures and manuals established to permit the consistent application of IPSAS standards and to support the realization of IPSAS benefits.

31. As part of the process to strengthen the regulatory framework, a policy framework for IPSAS (ST/IC/2013/36) was promulgated in December 2013, after extensive consultations, including with the Board of Auditors. It has also been supplemented by more detailed operational guidance in the form of 19 corporate guidance documents.

32. An accounting manual is also under development, with the first draft issued for validation in June 2014. The manual blends IPSAS policies with Umoja Foundation processes and guides the user in the processing of accounting transactions within Umoja to support IPSAS-compliant financial accounting and reporting. The manual will be finalized through a four-step approach, as follows: (a) a review by major stakeholders, including Umoja; (b) the submission of questions and issues by major stakeholders; (c) the holding of a workshop for validation of the manual; and (d) the publication of Version 1 of the manual. The manual will be published in electronic form and will be searchable and hyperlinked.

33. The Financial Regulations and Rules of the United Nations have been updated for IPSAS. On 1 July 2013, the Secretary-General promulgated the revised Financial Regulations and Rules (ST/SGB/2013/4), with the proviso that the amendments would not take effect until 1 January 2014 for the non-peacekeeping operations of the Organization. This revision has led to updates to other Secretary-General's bulletins, such as the delegation of authority under the Financial Regulations and Rules and the Financial Rules of UNEP, UN-Habitat and UNODC. In addition, several administrative instructions are being updated for IPSAS, such as the one related to property management.

D. Change management

Training

34. Training has been delivered through computer-based as well as instructor-led courses, targeting both finance and non-finance audiences throughout the Organization. The IPSAS computer-based training courses are still being offered for awareness and introductory-level training, covering the ongoing needs of newly hired or untrained staff members, as well as a refresher course for those who previously took the training. More in-depth working knowledge and specialized training are provided through instructor-led courses, allowing for further explanations, practical case studies and the consideration of actual opening balances or dry run issues.

35. By August 2014, approximately 10,048 staff had completed computer-based awareness training, 9,124 staff had completed working-level training and 3,555 staff had completed intermediate training. Advanced training for peacekeeping operations was conducted at the workshop conducted in Entebbe in May 2014, with the participation of 95 staff. IPSAS advanced training for non-peacekeeping operations is scheduled for December 2014. The total number of trainees in awareness, working-level and intermediate training courses exceeded the projected end-of-project numbers (see figure III).

Figure III
International Public Sector Accounting Standards training (as at 29 August 2014)

Awareness training	*Working-level training*	*Intermediate training*	*Advanced training*
Q3 2014: approximately 10,048 trained	Q3 2014: approximately 9,124 trained	Q3 2014: approximately 3,555 trained	Q3 2014: 95 trained
Q3 2013: approximately 9,600 trained	Q3 2013: approximately 8,300 trained	Q3 2013: approximately 3,300 trained	On target for year 2014
Original target: 10,[illegible] by project end	Original target: 7,500 by project end	Original target: 2,900 by project end	Original target: 500 by project end
The benefits and changes that adoption is bringing.	Concepts and principles of IPSAS for those staff directly impacted by IPSAS.	Targets finance and non-finance staff preparing opening balances. Provides cross-functional training, such as internal controls over assets and data.	Targets finance staff directly involved in preparation. Covers how to prepare financial statements under IPSAS.
Enables	Enables	Enables	Enables
The understanding necessary to prepare for implementation work. Awareness of changes, benefits, and challenges brought in by IPSAS adoption. *Note*: Awareness training provides the foundation for other IPSAS courses.	The ability to explain and apply IPSAS terminology (such as depreciation, impairment and inventories). Understanding of the level of disclosure required for compliant financial statements. Familiarity with system-wide policies.	Accurate completion of information for inventory, real estate, plant and equipment, leases, and intangible assets. Correct, compliant capturing of information to support opening balances. In-depth knowledge of relevant policy framework areas.	Preparation of compliant financial statements, including note disclosures. In-depth understanding of policy framework areas and ability to reference all IPSAS standards. *Note*: This audience will require continual training each year on updates and new IPSAS standards.

Communication

36. To ensure effective communication during the implementation phase, a layered strategy was crafted, covering all project stakeholders' communication needs. Communication at senior management levels continues to focus on challenges affecting timely implementation and risks associated with the deployment of Umoja, with the objective of securing senior-level ownership of office-specific implementation tasks.

37. At the operational level, the focus has been on providing hands-on guidance to support the preparation of opening balances as well as for the preparation of IPSAS financial statements, through both formal and informal avenues. Formal guidance was provided through instructions by means of memorandums, workshops, presentations, working papers and videoconferences. As part of its helpdesk functions, the United Nations IPSAS team delivered informal guidance to local implementation teams through e-mails, meetings and telephone conversations. Coordination between the Office of Programme Planning, Budget and Accounts, the Department of Field Support, Umoja and local IPSAS implementation teams has been intensified as the implementation of IPSAS and Umoja has progressed.

38. Notable change management and communication events since the issuance of the sixth progress report on IPSAS can be summarized as follows:

(a) Regularly scheduled videoconferences with offices away from Headquarters and peacekeeping missions were conducted during the peacekeeping dry run financial statements and closing exercises and the submission of non-peacekeeping opening balances;

(b) Several IPSAS/Umoja workshops were deployed at various locations: two for non-peacekeeping operations, hosted in Geneva and New York, to discuss activities relating to IPSAS opening balances; one for special political missions, organized in Kuwait, to discuss activities relating to IPSAS opening balances as well as conversion to Umoja; and two for peacekeeping operations, both held in Entebbe. The first peacekeeping workshop, held in November 2013, was to discuss the standard valuation methodology for real estate in missions and to train real estate focal points on valuing and updating real estate records in Umoja. The second workshop, held in May 2014, was to discuss activities for preparation of the first IPSAS financial statements and to train key finance officers in missions on review of financial information in Umoja;

(c) Field visits to the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo, the United Nations Operation in Côte d'Ivoire, the United Nations Interim Force in Lebanon and the United Nations Support Office for the African Union Mission in Somalia were carried out in March 2014 to review the peacekeeping dry run submissions and assess IPSAS readiness;

(d) In June 2014, the Accounts Division conducted a two-day seminar for the Advisory Committee on Administrative and Budgetary Questions, covering IPSAS concepts and their application to the United Nations, as well as the analysis of information in IPSAS financial statements.

39. To address the stakeholders' communication needs, project announcements and other correspondence are communicated on the IPSAS collaboration platform (https://unishare.un.org/unitednationsipsas) and the project's Internet site

(http://ipsas.un.org). Further, periodic iSeek articles were published informing staff of the progress of IPSAS implementation and upcoming activities.

40. A training course for senior management will be delivered in the fourth quarter of 2014 as part of a planned benefits realization training package, using two delivery methods. The training will be offered face to face with participants in New York and online with participants who are geographically dispersed.

E. Implementation of the Standards

Peacekeeping operations

41. Many processes in peacekeeping operations were re-engineered to support the adoption of IPSAS. These re-engineered processes have been implemented mainly through Umoja and enhancements in Galileo. Further, some of the IPSAS requirements were addressed through changes to manual processes supported by instructions from the Office of Programme Planning, Budget and Accounts and the Department of Field Support to the missions. The IPSAS requirements for real estate, equipment and inventory had the biggest impact on the missions in terms of both the amount of work done to collect and cleanse data to support IPSAS-compliance, and the number of staff involved in the effort.

42. Real estate was perhaps the major challenge in IPSAS implementation, as a comprehensive inventory of real estate assets had not previously been maintained and there was no supporting legacy information system. The Department of Field Support IPSAS team, in collaboration with the United Nations IPSAS team and the Office of Central Support Services, developed and implemented a standard valuation methodology based on the depreciated replacement cost approach to value real estate in the missions. Peacekeeping missions documented and physically verified real estate assets, categorized them into IPSAS classes, assigned useful lives, valued them according to the depreciated replacement cost methodology and recorded them in Umoja.

43. The IPSAS implementation has led to more rigorous monitoring of inventory quantities and quality, and the execution of key operational processes that support IPSAS-compliant valuation of real estate, equipment and inventory.

Accounting for inventory

44. As previously reported (see A/68/351, para. 27), the United Nations accounting policy for inventory states that only items held for external sale or distribution and strategic deployment stocks are considered to be "financial" inventory to be reported as current assets in the financial statements. All other "non-financial" inventory will be treated as expenses for reporting in the financial statements, even though they will be subject to good inventory management practices. This policy is consistent with the IPSAS requirements laid out by the relevant Standard.

45. However, the Board of Auditors' position was that the accounting treatment of expensing all non-financial inventory would contravene the principle of materiality, since the peacekeeping operations hold material levels of non-financial inventory. In the light of this, the United Nations, in consultation with the Board of Auditors,

explored a practical solution that would take into account the challenges in peacekeeping operations.

46. A desktop estimation methodology for valuing non-financial inventory in peacekeeping operations was developed. This was based on data in Galileo, supported by periodic physical verification procedures throughout the year rather than a full physical verification of inventory held at the end of the reporting year.

47. The physical verification exercise and the recording of data in Galileo will be subject to increased controls such that reliance can be placed on the data held by the system. Obsolete items identified in the physical verification process will be directly written off and an impairment allowance made for slow-moving inventory. These adjustments will be disclosed in the notes to the financial statements, and the net value, together with the financial inventory, will be reported as current assets in the financial statements.

48. The methodology has been agreed upon and accepted by the Board of Auditors, and the peacekeeping missions have started applying it in their operations.

Opening balances and dry run

49. The Accounts Division finalized the preparation of IPSAS opening balances for peacekeeping operations and presented the opening balances to the Board of Auditors in April 2014. The Board confirmed that significant progress had been made in preparing materially correct IPSAS opening balances for peacekeeping missions and provided recommendations, most of which have already been addressed. No audit opinion was rendered on the opening balances, as they will be considered as part of the audit of peacekeeping IPSAS financial statements in the fall of 2014.

50. As planned, dry run IPSAS-compliant financial statements as at 31 December 2013 were prepared for peacekeeping operations. Real accounting data were used for the dry run in order to test the comprehensiveness of processes and changed systems to produce financial statements and to identify and resolve any gaps. The timing of the ongoing Umoja deployment and the associated accounting process changes and the backlog of open items in Umoja had an impact on the timely completion of the dry run, which was finalized three months later than scheduled. However, the dry run process met the objectives of providing staff with practice in the preparation of IPSAS-compliant financial statements and a process for testing and validating the changes to systems and processes.

Preparation of financial statements

51. The financial statements for peacekeeping operations as at 30 June 2014 will be the first set of statements produced under IPSAS. A rigorous process was deployed to specifically support this process; it involved developing detailed instructions on the IPSAS closing tasks addressing, among other things, accounts receivable, accounts payable, cash, employee benefits, provisions and contingent items, real estate, equipment and inventory, discussing them in detail with the missions through a specialized workshop and, finally, applying the instructions in the missions, supported by teams deployed from Headquarters.

52. The aforementioned workshop, held in Entebbe in May 2014, was attended by peacekeeping missions' designated heads of finance, key finance officers and

engineers from missions and the Regional Service Centre. The agenda comprised three segments: (a) Umoja finance processes and maintenance of the Umoja trial balance that supplemented existing Umoja training and included a certification test for participants in Umoja finance processes; (b) IPSAS policies and a walk-through of the closing instructions; and (c) real estate in Umoja for field missions, which focused on the processes for recording and maintaining real estate data in Umoja.

53. The arrangements described above, in conjunction with the commitment and cooperation of all stakeholders, have set the stage for the presentation of the first IPSAS-compliant financial statements for peacekeeping operations by 30 September 2014, as planned.

Non-peacekeeping operations

Opening balances and dry run

54. The non-peacekeeping operations of the United Nations Secretariat commenced IPSAS-compliant accounting on 1 January 2014. In preparation for the transition, IPSAS opening balances instructions were issued to offices in the fourth quarter of 2013 and deployed through detailed IPSAS workshops held in Geneva and New York. Opening balances have been submitted by offices and are currently being vetted and consolidated; the opening balances will be reviewed by the Board of Auditors in October 2014 so that recommended changes and updates can be made in time for the preparation of the first IPSAS-compliant financial statements for the non-peacekeeping entities, due by 31 March 2015.

55. Similar to the peacekeeping IPSAS implementation, dry run financial statements will be prepared for non-peacekeeping entities as at 30 June 2014, six months after the commencement of IPSAS-compliant accounting. Instructions for the preparation of these dry run financial statements have been issued, and the dry run is currently in progress.

56. Any process gaps will be addressed on a timely basis to ensure that the first IPSAS-compliant financial statements meet the quality, transparency and accuracy expected by the Board of Auditors. Specific attention will be paid to enriching data recorded in the legacy systems and transforming that data into IPSAS-compliant information, since Umoja is not yet rolled out in most non-peacekeeping entities and there is no organization-wide legacy platform for recording real estate, equipment or inventory. Thus, the testing of transitional arrangements is a key aspect of the dry run process for non-peacekeeping reporting entities.

Financial statement preparation

57. Instructions for the closing and IPSAS financial statement preparation will be developed, incorporating recommendations from the Board of Auditors on the review of the IPSAS opening balances and lessons learned from the dry run process. The instructions are scheduled to be issued in November 2014 and will be supported by a workshop on the preparation of IPSAS financial statements, to be held in December 2014. The Accounts Division will monitor progress and provide office-specific guidance during the financial statement preparation process and, if necessary, provide on-site support to offices to ensure the preparation of financial statements for non-peacekeeping operations by 31 March 2015.

F. Engagement with the Board of Auditors

58. The Board of Auditors conducted a review of IPSAS implementation at the United Nations for its fourth progress report on IPSAS implementation (A/69/155). The Board noted that the IPSAS implementation process, while complex, was being well managed and highlighted that good progress had been made in the preparations for opening balances, reaching an IPSAS-compliant position on the accounting for inventory and progressing work on the IPSAS benefits realization plan.

59. While the Board of Auditors indicated having no major concerns, it highlighted various implementation risks. Further delay of the Umoja roll-out and the high volume of unreconciled transactions were cited as risks to the ability of peacekeeping missions to produce reliable IPSAS data. The potential difficulty of achieving completeness, consistency and accuracy of consolidated information in the IMIS IPSAS ledger while using multiple systems to record transactional data was noted. Lastly, adequate resourcing at peacekeeping missions and offices away from Headquarters was cited as an area of concern. Each of these risks has been carefully monitored, and actions have been taken to mitigate them.

G. Impact of the Standards on workload

60. As reported previously (see A/68/351, para. 66), in April 2013 a conference room paper was prepared by the Secretariat and presented to the Fifth Committee of the General Assembly, concerning the implications of the adoption of IPSAS for the work of the United Nations and its funds and programmes, the Board of Auditors, the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee. Using other United Nations system organizations that have already implemented IPSAS as a guide, it was noted in the report that the size of the financial statements of the United Nations Secretariat reporting entities would increase by approximately 30-50 per cent on the adoption of IPSAS.

61. Prior to the adoption of IPSAS, both the Fifth Committee and the Advisory Committee would consider budget proposals and financial statements during alternating years, as financial statements were issued on a biennial basis except for peacekeeping operations. However, as IPSAS requires annual financial statements, this will result in an annual, as opposed to an alternating year, review. Thus, with the adoption of IPSAS, the Advisory Committee will see an increase in the number of reports to review during the budget year. There will be 31 audit reports[4] in addition to the report of the Secretary-General for review; this will have an impact on each phase of the life cycle (hearings, executive sessions and drafts) of the Committee's reports. During the budget year, it is estimated that, upon the adoption of IPSAS, the Fifth Committee may require additional time to review the IPSAS-compliant financial statements, as opposed to meeting for 2.5 to 3 three-hour sessions prior to the adoption of IPSAS.

[4] These reports were not produced in the budget year prior to IPSAS, as they were previously produced on a biannual basis under the United Nations system accounting standards.

H. Benefits realization

62. The Secretary-General, in his report (A/60/846/Add.3), proposed the adoption of IPSAS and outlined five major benefits of IPSAS. The General Assembly approved the adoption of IPSAS and requested the Secretary-General to ensure the full realization of the benefits associated with the implementation of IPSAS.

63. The five major benefit categories have been detailed further and presented in a benefits realization plan that was endorsed by the IPSAS Steering Committee in June 2014. The plan follows a detailed structure comprising, among other things, key performance indicators as initial measurements. The objectives of the plan are to define the individual benefit areas and desired outcomes, clarify related responsibilities for the realization of benefits and identify accountable parties, along with determining required actions, timelines and milestones. The five categories are listed below, along with a summary of each initial benefit expected to be realized:

(a) Alignment with best practices: compliance with independently developed, high-quality public sector accounting standards;

(b) Improved stewardship of assets and liabilities: more focused resource utilization; improved visibility for capital expenditure requirements, reduced amount of long-outstanding contributions, closing the funding gap for employee liabilities, in particular for after-service health insurance related to extrabudgetary resources; and improved property and inventory management, better revenue management related to extrabudgetary contributions and better management of provisions;

(c) Availability of more comprehensive information on costs: improved financial decision-making, improved financial management and improved cost recovery;

(d) Improved consistency and comparability: increased number of United Nations system-wide financial initiatives and improved longer-term financial risk management;

(e) Increased transparency and accountability: more comprehensive and frequent availability and use of financial information and better assignment and enforcement of accountability for financial performance.

64. The IPSAS benefits realization plan was presented to the Management Committee in July 2014, and it is anticipated that a slightly revised plan incorporating comments from the Committee members will be endorsed in the fourth quarter of 2014.

65. The benefits will be realized to varying extents during the course of implementation as the Organization better adjusts to and automates the annual process of financial statement preparation. Some benefits will be more dominant in the early phases of IPSAS adoption (e.g., improved property management, given the availability of a complete asset register and up-to-date inventory records), while others will more visibly materialize over the medium- to long-term horizon (i.e., long-term risk management through the use of consistent and comparable information produced on an annual basis). Benefits will also evolve over time, and thus the plan will require adjustment and fine-tuning to adapt to the Organization's needs as experience with IPSAS grows.

66. Work has also commenced on developing tracking options for benefits realization, which will be deployed globally (peacekeeping and non-peacekeeping) and aligned for the IPSAS and Umoja benefits realization plans. This will permit the Organization to leverage the potential of both initiatives and avoid overlap. Targeted and focused training on more areas, such as the use of information by senior management, will be necessary and will be designed as a further implementation step towards successful benefits realization. The Management Committee will also be reviewing the next steps in the implementation of this plan.

Sustainability of IPSAS compliance

67. By mid-2015, all financial reporting entities of the United Nations are expected to have produced IPSAS-compliant financial statements and received an audit opinion from the Board of Auditors. By the end of 2015, the IPSAS project team is scheduled to commence the winding-up of its post-implementation activities. However, it has already been recognized that, beyond the post-implementation phase of the IPSAS project, there will remain a need to maintain a supporting structure within the Organization that will lead the long-term sustainability of IPSAS compliance.

68. Hence, the post-implementation phase of the project includes an IPSAS sustainability review that will detail a sustainability plan based on lessons learned during the implementation phase, as well as the experiences of other United Nations system organizations. A major sustainability activity already identified is the issuance of a statement of internal controls, as recommended by the Board of Auditors, including the development and deployment of the supporting control structures at United Nations Headquarters, offices away from Headquarters and field missions. Additional sustainability activities will include the monitoring of the work of the IPSAS Board, the maintenance of the IPSAS regulatory framework to implement changes in the Standards as well as to drive related changes to systems, continued IPSAS training, the deployment of a skills strategy focused on developing talent for analysis of the financial information triggered by IPSAS, and the management of the benefits of IPSAS.

69. These activities form the framework of the IPSAS sustainability plan that will be developed in 2015 and deployed in 2016. Such sustainability activities at the Secretariat level are especially important, as the United Nations system-wide structures that support the implementation of IPSAS will be reduced to skeletal levels in 2016.

70. A further aspect of IPSAS sustainability will be to support the full transition to Umoja as the system and book of record for IPSAS-compliant financial statements. This includes the transition to full asset accounting in Umoja for peacekeeping operations, noting that transitional arrangements, which are highly resource-intensive and risky to data integrity, are not sustainable.

I. Project budget and expenditures

71. In its resolution 60/283, the General Assembly approved the resources to begin the process of implementation of IPSAS. The table below provides a summary of the expenditures for the bienniums 2006-2007, 2008-2009, 2010-2011 and 2012-

2013, the initial appropriation for the biennium 2014-2015 and expenditures for the biennium 2014-2015 as at 30 June 2014, by funding source.

72. The United Nations IPSAS team is funded from a combination of four posts under the regular budget and four general temporary assistance positions under the support account for peacekeeping operations. The team has a mix of specialized skills that have been built over time and nurtured carefully to support the cross-cutting functions required for IPSAS compliance across United Nations operations. A group of individual contractors hired for their specialized knowledge or experience also supports the team. Collectively, the team is able to provide the broad range of expertise necessary to support IPSAS adoption in the United Nations.

73. The complex transitional systems architecture supporting IPSAS compliance until the full deployment of Umoja, as well as the ongoing need for IPSAS-related guidance, will place heavy demands on this central IPSAS team well beyond the implementation of IPSAS in 2014.

74. Recognizing this reality as well as the need to stay within the indicative budget of $27 million,[5] the project has sought to contain costs as much as possible, proposing the minimum amounts possible in each fiscal cycle, without compromising the capacity to manage the implementation, in an effort to draw out the resources for as long as possible until full Umoja deployment.

Project budget and expenditure for IPSAS adoption at the United Nations

(Thousands of United States dollars)

Object of expenditure	*Expenditure*				*Initial appropriations 2014-2015*	*Expenditure 2014-2015[a]*	*Total expenditure 2006-2014[a]*
	2006-2007	*2008-2009*	*2010-2011*	*2012-2013*			
Regular budget							
Posts	370.4	1 270.6	1 164.1	1 162.6	1 232.1	206.4	4 175.1
General temporary assistance	–	–	370.6	573.6	–	–	944.2
Consultants	–	–	272.9	–	–	–	272.9
Travel	10.2	46.6	149.7	76.2	102.5	–	282.7
Contractual services	16.4	0.3	20.5	14.3	21.7	12.5	64.0
Other	10.9	24.2	43.6	22.8	23.5	1.8	103.3
Section 29B, Office of Programme Planning, Budget and Accounts	407.9	1 341.7	2 021.4	1 850.5	1 379.8	220.7	5 842.2
Section 32, Jointly financed activities	427.1	732.2	–[b]	551.6	425.3	118.5	1 829.4
Subtotal	**835.0**	**2 073.9**	**2 021.4**	**2 402.1**	**1 805.1**	**339.2**	**7 671.6**

[5] The estimated amount of $27 million includes an amount of $12.8 million from the support account, $10 million from the regular budget and $4.2 million from extrabudgetary resources (see A/67/564, para. 17).

Object of expenditure	Expenditure 2006-2007	Expenditure 2008-2009	Expenditure 2010-2011	Expenditure 2012-2013	Initial appropriations 2014-2015	Expenditure 2014-2015[a]	Total expenditure 2006-2014[g]
Support account for peacekeeping operations							
General temporary assistance	324.2	547.6	599.1	1 361.0	1 853.4	570.3	3 402.2
Consultants	–	–	232.5	5 234.9	4 499.4	323.7	5 791.1
Travel	–	2.6	27.1	367.1	404.5	355.3	752.1
Other	–	–	–	14.2	65.5	9.1	23.3
Subtotal	**324.2**	**550.2**	**858.7**	**6 977.2**	**6 822.8**[d]	**1 258.4**	**9 968.7**
Total	**1 159.2**	**2 624.1**	**2 880.1**	**9 379.3**[c]	**8 627.9**[e]	**1 597.6**[f]	**17 640.3**

[a] Actual expenditures to 30 June 2014 as at 28 August 2014.
[b] Requirements were fully covered by the balance rephased from previous bienniums.
[c] The total expenditure for 2012-2013 does not include $1.5 million under extrabudgetary funds incurred by regional commissions and offices away from Headquarters.
[d] Represents the prorated appropriation for the period 1 January 2014 to 30 June 2014, the approved allotment for the peacekeeping period 1 July 2014 to 30 June 2015 and the estimated prorated amount for the peacekeeping period from 1 July 2015 to 30 December 2015.
[e] The total appropriation does not include $1.5 million under extrabudgetary funds allotted to regional commissions and offices away from Headquarters.
[f] The total expenditure for 2014-2015 does not include $831,512 under extrabudgetary funds incurred by regional commissions and offices away from Headquarters as at 30 June 2014.
[g] Cumulative expenditures from start of project in 2006 to 30 June 2014 as at 28 August 2014; the amount does not include $2,331,512 of IPSAS-related expenditures under extrabudgetary funds.

III. Implementation of the International Public Sector Accounting Standards across the United Nations system

75. Twenty-one of the 24 United Nations system organizations have completed their IPSAS implementation successfully. The entities are continuing the success of the major achievements of the initial years of IPSAS implementation and have received unqualified audit opinions for the year 2013. The organizations continue to be engaged in a range of post-implementation activities that come at a cost and with challenges, but are crucial for sustaining IPSAS compliance and ensuring the realization of the full benefits of IPSAS.

76. The three organizations, with an adoption date of 2014, are on schedule for the production of their first IPSAS-compliant financial statements. The status of implementation in the United Nations is set out in the present report. FAO and UNWTO achieved several critical milestones, including the successful establishment of IPSAS opening balances and the conduct of IPSAS dry run exercises.

77. The organizations continue to work collaboratively through the United Nations System Task Force on Accounting Standards (Task Force) towards their IPSAS implementation or post-implementation goals. The Task Force has been, and continues to be, an essential forum in which organizations share their challenges and concerns and leverage mutual experiences and lessons learned.

78. The Task Force and the system-wide team have four major categories of activities, described below, that they undertake in order to support and sustain the organizations' IPSAS compliance.

Interaction with the IPSAS Board

79. The Task Force closely follows the work of the IPSAS Board owing to its implications for the United Nations system organizations. Monitoring the work of the IPSAS Board and providing feedback on its documents on behalf of the Task Force is one of the key activities of the system-wide team. The team, under the guidance of the Task Force, participated in the quarterly meetings of the IPSAS Board in the second half of 2013 and the first half of 2014 and communicated the views of the United Nations system on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports. The system-wide team also carried out a review of Exposure Drafts 48-52 on Accounting for Interests in Other Entities to assess related opportunities and risks for the United Nations system organizations arising from changes proposed by the IPSAS Board to preparing separate and consolidated financial statements. The outcome of the review was discussed at the Task Force videoconference in April 2014.

Accounting guidance

80. After a stable system-wide IPSAS policy platform was deemed established in 2007, the focus of the system-wide team shifted to providing guidance on specific IPSAS requirements based on current needs of the United Nations system organizations. In 2013, the system-wide team presented a technical issue paper on employee benefits, focusing on the classification of benefits, the review of classification across United Nations system organizations and an assessment of changes in IPSAS standards that could affect such classification in future. The paper also addressed actuarial valuation assumptions, the frequency of such valuations and the use of the discount rate. The paper was endorsed by the Task Force at the September 2013 meeting after incorporating feedback from organizations.

81. At the same meeting, the members were alerted, through presentations and discussions, about the implications of IPSAS 28-30 "Financial Instruments: Presentation, Recognition and Measurement, and Disclosures" as well as phases 1 to 4 of the IPSAS Board's Conceptual Framework. These are intended to enable organizations to evaluate the changes and prepare for them.

Working focus groups

82. As more organizations develop a deeper understanding of IPSAS, and the focus of the system-wide collaboration shifts to specific technical issues and the practical implications of sustaining IPSAS-compliance, the Task Force has been organizing thematic focus groups each year led by members of the Task Force and supported by the system-wide team. One of the groups established during the previous reporting period continued to discuss issues related to reporting on inventories and useful lives of property, plant and equipment, and two new groups were established in April 2014 to address (a) intangible assets and accounting for assets with limited supporting documentation and (b) a database of common services and common premises.

83. The working focus groups and other thematic exchanges of information provide a forum in which organizations can leverage the expertise across the United Nations system and secure a common position to the extent feasible, to improve the comparability of their financial statements and to present a harmonized position of the United Nations system to the IPSAS Board.

Management of accounting diversity

84. IPSAS are principle-based pronouncements, allowing a degree of judgement and diversity in application. The application of the Standards to the divergent business models of the United Nations system organizations is likely to generate differences in accounting policies across the organizations. Differences may also arise owing to divergent interpretations or lack of clarity in the Standards as they relate to the business of international organizations. As divergences that are not triggered by differences in business models or circumstances could potentially undermine the comparability of the financial statements of the United Nations system organizations, the Task Force strives to facilitate better analysis and articulation of the accounting treatments allowed by the Standards.

85. After extensive discussions, the Task Force concluded that some of the differences in the recognition of revenue on non-exchange transactions are inevitable owing to the differences in business models as well as the divergent practical experiences in the realization of such revenue. The Task Force commissioned a comparative analysis of how certain transactions are presented in the financial statements, in order to harmonize the presentation of similar transactions to the extent feasible. The analysis was presented at the Task Force videoconference in April 2014, and the suggested common terminology will be further discussed at the meeting to be held in September 2014. The system-wide IPSAS team also updated and expanded its previously prepared comparative analysis of accounting policies on revenue recognition and reported on the outcomes to the Task Force in April 2014. At the same meeting, the team was requested to prepare a comparative analysis of accounting policies on assets; the results of the analysis will be presented at the meeting of the Task Force in September 2014.

Other matters

86. The Task Force continues to work with the Technical Group of the Panel of External Auditors of the United Nations, the Specialized Agencies, and the International Atomic Energy Agency to address common and recurring financial reporting and audit issues and to foster a more productive and interactive relationship with external auditors at the system-wide level. A delegation of the Technical Group attended the Task Force meetings in September 2013 and April 2014. A representative of the Technical Group made a presentation at the meeting in September 2013, emphasizing their shared objective with the Task Force of high-quality IPSAS-compliant financial statements with an unqualified audit opinion.

87. As the system-wide team continues to provide invaluable support in facilitating the work of the Task Force on Accounting Standards, discussions are ongoing to identify how this essential work can be sustained beyond 2015, when the system-wide project is due to be institutionalized.

IV. Actions to be taken by the General Assembly

88. The General Assembly is requested to take note of the present report, including the status of the IPSAS benefits realization plan and the proposed framework for IPSAS sustainability.